

1 December 2006

Securities & Exchange Commission
Division of Corporate Finance
Room 3094 (3-G)
450 Fifth Street, N.W.
Washington, D.C. 20549



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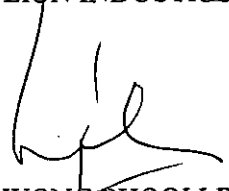
Dear Sirs

Re : Exemption No. 82-3342
Issuer : Lion Industries Corporation Berhad

We enclose herewith a copy of the Financial Results Announcement dated 30 November 2006, Re: First Quarterly Report for the financial period ended 30 September 2006 for filing pursuant to exemption granted to the Company under rule 12g3-2(b) of the Securities Exchange Act of 1934.

Please contact the undersigned if you have any queries.

Yours faithfully
LION INDUSTRIES CORPORATION BERHAD


WONG PHOOI LIN
Secretary

c.c Ms Andres Estay - The Bank of New York
ADR Department
101 Barclay St., 22nd Floor
New York
NY 10286

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Financial Results

Ownership transfer to LION INDUSTRIES CORPORATION/EDMS/KLSE on 30/11/2006 04:56:02 PM

Reference No LI-061130-112D2

Submitting Merchant Bank :
 (if applicable)
 Submitting Secretarial Firm Name :
 (if applicable)
 * Company name : LION INDUSTRIES CORPORATION BERHAD
 * Stock name : LIONIND
 * Stock code : 4235
 * Contact person : WONG PHOOI LIN
 * Designation : SECRETARY

Part A1 : QUARTERLY REPORT

* Financial Year End : 30/06/2007 ☒ 16
 * Quarter : ☒ 1 Qtr ☐ 2 Qtr ☐ 3 Qtr ☐ 4 Qtr ☐ Other
 * Quarterly report for the financial period ended : 30/09/2006
 * The figures : ☐ have been audited ☒ have not been audited

Please attach the full Quarterly Report here:

LICB-07Q1.xls

Remarks:

Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended
 * 30/09/2006

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|------------------------------|---|---|---|---|
| | | CURRENT YEAR QUARTER * | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE * | PRECEDING YEAR CORRESPONDING PERIOD |
| | | 30/09/2006 <input checked="" type="checkbox"/> 16 | 30/09/2005 <input checked="" type="checkbox"/> 16 | 30/09/2006 <input checked="" type="checkbox"/> 16 | 30/09/2005 <input checked="" type="checkbox"/> 16 |
| | | [dd/mm/yyyy] RM'000 | [dd/mm/yyyy] RM'000 | [dd/mm/yyyy] RM'000 | [dd/mm/yyyy] RM'000 |
| 1 | Revenue | 1,154,528 | 734,515 | 1,154,528 | 734,515 |
| 2 | Profit/(loss) before tax | 161,936 | -32,769 | 161,936 | -32,769 |
| 3 | Profit/(loss) for the period | 146,995 | -21,708 | 146,995 | -21,708 |

LION INDUSTRIES CORPORATION BERHAD (415-D)

30 NOV 2006

| | | | | | |
|-----------|---|-------------------------------|---------|---------------------------------------|---------|
| 4 | Profit/(loss) attributable to ordinary equity holders of the parent | 147,602 | -19,646 | 147,602 | -19,646 |
| 5 | Basic earnings/(loss) per share (sen) | 21.18 | -2.82 | 21.18 | -2.82 |
| 6 | Proposed/Declared dividend per share (sen) | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | |
| | | AS AT END OF CURRENT QUARTER* | | AS AT PRECEDING FINANCIAL YEAR END | |
| 7 | Net assets per share attributable to ordinary equity holders of the parent (RM) | 3.1000 | | 2.8800 | |
| Remarks : | | | | | |

Note: For full text of the above announcement, please access the Bursa Malaysia website at www.bursamalaysia.com

Part A3 : ADDITIONAL INFORMATION

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|------------------------|--------------------------|--------------------------------------|--------------------------|-------------------------------------|
| | | CURRENT YEAR QUARTER* | PRECEDING YEAR CORRESPONDING QUARTER | CURRENT YEAR TO DATE* | PRECEDING YEAR CORRESPONDING PERIOD |
| | | 30/09/2006 ¹⁶ | 30/09/2005 ¹⁵ | 30/09/2006 ¹⁶ | 30/09/2005 ¹⁵ |
| | | [dd/mm/yyyy] RM'000 | [dd/mm/yyyy] RM'000 | [dd/mm/yyyy] RM'000 | [dd/mm/yyyy] RM'000 |
| 1 | Gross interest income | 7,876 | 6,554 | 7,876 | 6,554 |
| 2 | Gross interest expense | 40,562 | 38,617 | 40,562 | 38,617 |

Remarks :

Note: The above information is for the Exchange internal use only.

LION INDUSTRIES CORPORATION BERHAD (415-D)

Secretary

30 NOV 2006



LION INDUSTRIES CORPORATION BERHAD

(Incorporated in Malaysia)

(415-D)

Interim Report for the First Quarter Ended 30 September 2006

| | |
|--|--------|
| Condensed Consolidated Income Statements | 1 |
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Interim report for the first quarter ended 30 September 2006

(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENTS

| | <u>Note</u> | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|-------------|---|---|---|--|
| | | CURRENT YEAR QUARTER 30/9/2006 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 30/9/2005 RM'000 | CURRENT YEAR TO DATE 30/9/2006 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 30/9/2005 RM'000 |
| Revenue | | 1,154,528 | 734,515 | 1,154,528 | 734,515 |
| Operating expenses | | (1,085,147) | (753,632) | (1,085,147) | (753,632) |
| Other operating income | | 155 | 8,237 | 155 | 8,237 |
| Profit/(Loss) from operations | | 69,536 | (10,880) | 69,536 | (10,880) |
| Finance costs | | (40,562) | (38,617) | (40,562) | (38,617) |
| Share in results of associated companies | | 125,086 | 10,174 | 125,086 | 10,174 |
| Income from other investments | | 7,876 | 6,554 | 7,876 | 6,554 |
| Profit/(Loss) before taxation | | 161,936 | (32,769) | 161,936 | (32,769) |
| Taxation | 17 | (14,941) | 11,061 | (14,941) | 11,061 |
| Net profit/(loss) for the period | | <u>146,995</u> | <u>(21,708)</u> | <u>146,995</u> | <u>(21,708)</u> |
| Attributable to : | | | | | |
| - Equity holders of the parent | | 147,602 | (19,646) | 147,602 | (19,646) |
| - Minority interests | | (607) | (2,062) | (607) | (2,062) |
| Net profit/(loss) for the period | | <u>146,995</u> | <u>(21,708)</u> | <u>146,995</u> | <u>(21,708)</u> |
| Earnings/(Loss) per share attributable to equity holders of the parent (sen) : | | | | | |
| - Basic | 25 | <u>21.18</u> | <u>(2.82)</u> | <u>21.18</u> | <u>(2.82)</u> |
| - Diluted | 25 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

(The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements)

Interim report for the first quarter ended 30 September 2006

(The figures have not been audited)

CONDENSED CONSOLIDATED BALANCE SHEETS

| | Note | AS AT END OF CURRENT QUARTER 30/9/2006 RM'000 | AS AT PRECEDING FINANCIAL YEAR END 30/6/2006 RM'000 (Restated) |
|--|------|--|--|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | | 2,189,712 | 2,204,394 |
| Forest concessions | | 287,437 | 290,136 |
| Plantation development expenditure | | 152,861 | 152,139 |
| Land held for property development | | 55,792 | 54,749 |
| Investment in associated companies | | 596,539 | 470,454 |
| Long-term investments | | 166,090 | 166,118 |
| Deferred tax assets | | 125,366 | 143,319 |
| Intangible assets | | 132,106 | 132,115 |
| | | <u>3,705,903</u> | <u>3,613,424</u> |
| Current Assets | | | |
| Property development costs | | 35,110 | 37,380 |
| Inventories | | 1,169,366 | 824,409 |
| Short-term investments | | 54,705 | 54,705 |
| Amount due by contract customers | | 667 | 667 |
| Trade receivables | | 452,958 | 510,113 |
| Other receivables | | 280,796 | 315,308 |
| Deposits, cash and bank balances | | 269,197 | 248,069 |
| | | <u>2,262,799</u> | <u>1,990,651</u> |
| TOTAL ASSETS | | <u>5,968,702</u> | <u>5,604,075</u> |
| EQUITY AND LIABILITIES | | | |
| Share capital | | 697,102 | 697,102 |
| Reserves | | 1,462,455 | 1,312,722 |
| Equity attributable to equity holders of the parent | | <u>2,159,557</u> | <u>2,009,824</u> |
| Minority interests | | 423,825 | 424,364 |
| Total equity | | <u>2,583,382</u> | <u>2,434,188</u> |
| Non-Current Liabilities | | | |
| Long-term borrowings | 21 | 1,594,386 | 1,637,637 |
| Bonds and USD Debts | 21 | 79,439 | 72,816 |
| Deferred tax liabilities | | 132,049 | 135,821 |
| Deferred payables | | 1,660 | 1,660 |
| | | <u>1,807,534</u> | <u>1,847,934</u> |
| Current Liabilities | | | |
| Trade payables | | 442,022 | 280,340 |
| Other payables | | 534,056 | 466,303 |
| Amount due to contract customers | | 1,091 | 1,385 |
| Short-term borrowings | 21 | 330,484 | 305,502 |
| Bonds and USD Debts | 21 | 266,704 | 266,303 |
| Tax liabilities | | 3,429 | 2,120 |
| | | <u>1,577,786</u> | <u>1,321,953</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>5,968,702</u> | <u>5,604,075</u> |
| Net assets per share attributable to ordinary equity holders of the parent (RM) | | | |
| | | <u>3.10</u> | <u>2.88</u> |

(The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements)

Interim report for the first quarter ended 30 September 2006
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| Note | Attributable to equity holders of the parent | | | | | Total RM'000 | Minority Interests RM'000 | Total Equity RM'000 |
|---|--|----------------------------|--------------------------------|-----------------------------|-------------------------------|-----------------|---------------------------------|---------------------------|
| | Share Capital RM'000 | Share Premium RM'000 | Negative Goodwill RM'000 | Other Reserves RM'000 | Retained Profits RM'000 | | | |
| 30 September 2006 | | | | | | | | |
| At 1 July 2006 | | | | | | | | |
| As previously stated | 697,102 | 515,192 | 605,122 | 30,046 | 162,362 | 2,009,824 | 424,364 | 2,434,188 |
| Prior year adjustment : | | | | | | | | |
| Effects of adopting FRS 2 1(a) | - | - | - | 904 | (904) | - | - | - |
| Restated | 697,102 | 515,192 | 605,122 | 30,950 | 161,458 | 2,009,824 | 424,364 | 2,434,188 |
| Effects of adopting FRS 3 1(b) | - | - | (605,122) | - | 617,022 | 11,900 | - | 11,900 |
| | 697,102 | 515,192 | - | 30,950 | 778,480 | 2,021,724 | 424,364 | 2,446,088 |
| Translation difference on net equity of foreign subsidiaries & other movements | - | - | - | (3,095) | - | (3,095) | 68 | (3,027) |
| Effect of dilution on equity interest in an associated company | - | - | - | - | (6,900) | (6,900) | - | (6,900) |
| Share-based payment under ESOS 1(a) | - | - | - | 226 | - | 226 | - | 226 |
| Net profit/(loss) for the period | - | - | - | - | 147,602 | 147,602 | (607) | 146,995 |
| At 30 September 2006 | 697,102 | 515,192 | - | 28,081 | 919,182 | 2,159,557 | 423,825 | 2,583,382 |
| 30 September 2005 | | | | | | | | |
| At 1 July 2005 | 697,056 | 515,190 | 769,593 | 34,560 | 261,589 | 2,277,988 | 482,427 | 2,760,415 |
| Translation difference on net equity of foreign subsidiaries & other movements | - | - | - | 801 | - | 801 | 763 | 1,564 |
| Amortisation for the period | - | - | (8,524) | - | - | (8,524) | - | (8,524) |
| Net loss for the period | - | - | - | - | (19,646) | (19,646) | (2,062) | (21,708) |
| At 30 September 2005 | 697,056 | 515,190 | 761,069 | 35,361 | 241,943 | 2,250,619 | 481,128 | 2,731,747 |

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements)

Interim report for the first quarter ended 30 September 2006
(The figures have not been audited)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

| | CURRENT YEAR TO DATE 30/9/2006 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 30/9/2005 RM'000 |
|--|---|--|
| OPERATING ACTIVITIES | | |
| Profit/(Loss) before taxation | 161,936 | (32,769) |
| Adjustments for: | | |
| Non-cash items (mainly depreciation) | 50,145 | 25,411 |
| Non-operating items (mainly associates' results & finance costs) | (92,400) | 21,889 |
| Operating profit before changes in working capital | 119,681 | 14,531 |
| Changes in working capital : | | |
| Net changes in current assets | (258,732) | (128,462) |
| Net changes in current liabilities | 212,255 | 9,731 |
| Others (mainly interest and tax paid) | 2,351 | (5,450) |
| | 75,555 | (109,650) |
| INVESTING ACTIVITIES | | |
| Proceeds from disposal of investments | - | 1,897 |
| Others (mainly purchase of property, plant and equipment) | (19,454) | (68,700) |
| | (19,454) | (66,803) |
| FINANCING ACTIVITIES | | |
| Borrowings | (27,310) | 262,599 |
| Others (mainly interest paid) | (23,915) | (4,378) |
| | (51,225) | 258,221 |
| Net changes in cash & cash equivalents | 4,876 | 81,768 |
| Effects of exchange rate changes | 101 | 445 |
| Cash & cash equivalents at beginning of the period | 134,035 | 94,586 |
| Cash & cash equivalents at end of the period | 139,012 | 176,799 |

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2006 and the accompanying explanatory notes attached to the interim financial statements)

Interim report for the first quarter ended 30 September 2006
(The figures have not been audited)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Accounting policies and methods of computation

The interim financial statements have been prepared in accordance with the Financial Reporting Standard ("FRS") 134: "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 30 June 2006.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2006 except for the adoption of the following new / revised FRSs effective for the financial period beginning 1 July 2006:

| | |
|---------|--|
| FRS 2 | Share-based Payment |
| FRS 3 | Business Combinations |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| FRS 101 | Presentation of Financial Statements |
| FRS 102 | Inventories |
| FRS 108 | Accounting Policies, Changes in Estimates and Errors |
| FRS 110 | Events after the Balance Sheet Date |
| FRS 116 | Property, Plant and Equipment |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates |
| FRS 127 | Consolidated and Separate Financial Statements |
| FRS 128 | Investments in Associates |
| FRS 131 | Interests in Joint Ventures |
| FRS 132 | Financial Instruments: Disclosure and Presentation |
| FRS 133 | Earnings Per Share |
| FRS 136 | Impairment of Assets |
| FRS 138 | Intangible Assets |
| FRS 140 | Investment Property |

The adoption of the above FRSs does not have a significant financial impact on the Group except for the following:

a) FRS 2: Share-based Payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company and its listed subsidiary company, Lion Forest Industries Berhad, operate equity-settled, share-based compensation plan for the employees of the Group, the Lion Industries Corporation Berhad Executive Share Option Scheme ("ESOS") and the Lion Forest Industries Berhad Executive Share Option Scheme respectively. Prior to 1 July 2006, no compensation was recognised in profit or loss for the share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using a binomial options pricing model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

1. Accounting policies and methods of computation (Cont'd)

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet been vested on 1 January 2006. The application is retrospective and accordingly, the comparative amounts as at 30 June 2006 are restated. The financial impact to the Group arising from this change in accounting policy is as follows:

| | | | | |
|---------------------------------------|---|---|---|--|
| | As at 1/7/2006 RM'000 | | | |
| Decrease in Retained Profits | | (904) | | |
| Increase in Other Reserves | | <u>904</u> | | |
| | Current Year Quarter 30/9/2006 RM'000 | Preceding Year Corresponding Quarter 30/9/2005 RM'000 | Current Year To Date 30/9/2006 RM'000 | Preceding Year Corresponding Period 30/9/2005 RM'000 |
| Decrease in net profit for the period | <u>(226)</u> | <u>-</u> | <u>(226)</u> | <u>-</u> |

Comparatives have been restated due to this change in accounting policy.

b) FRS 3: Business Combinations

The adoption of FRS 3 has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 July 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 25 years.

The carrying amount of goodwill as at 1 July 2006 of RM131 million will cease to be amortised. This has the effect of reducing the amortisation charges by RM3 million in the current quarter and financial year-to-date.

Under FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognised immediately in profit or loss. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 July 2006 of RM605 million and RM12 million in the Group's investment in an associated company was derecognised with a corresponding increase in retained profits.

c) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interests, share of net after-tax results of associated companies and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interests.

The current period's presentation of the Group's financial statements is based on the requirements of the revised FRS 101, with the comparatives restated to conform with the current period's presentation.

1. Accounting policies and methods of computation (Cont'd)

The following comparative amounts have been restated due to the adoption of new / revised FRSs :

| | Reported Previously RM'000 | Adjustments RM'000 | Restated RM'000 |
|--|----------------------------------|-----------------------|--------------------|
| <u>At 30 June 2006</u> | | | |
| - Retained Profits | 162,362 | (904) | 161,458 |
| - Other Reserves | 30,046 | 904 | 30,950 |
| <u>3 Months Ended 30 September 2005</u> | | | |
| - Share in results of associated companies | 15,520 | (5,346) | 10,174 |
| - Tax credit | 5,715 | 5,346 | 11,061 |
| Net adjustment | | - | |

2. Auditors' report on preceding annual financial statements

There were no qualifications in the auditors' report of the preceding year's financial statement. However, the auditors drew the attention to the financial position of the Group concerning the portion of LICB Bonds and USD Debts issued pursuant to the Group Wide Restructuring Scheme ("GWRS") that are due for redemption/repayment within the next twelve (12) months and the steps taken by the Group to meet this obligation.

3. Comments about seasonal or cyclical factors

Apart from the timber extraction and pulp and paper operations, the operations of the Group are not subject to material seasonal or cyclical effect.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year-to-date.

5. Changes in estimates

There were no material changes in estimates of amounts reported in prior interim period of the current financial year or in prior financial years.

6. Debt and equity securities

During the financial year-to-date, the Group has partially redeemed its Bai' Bithaman Ajil Islamic Debt Securities ("BaIDS") amounting to RM40 million.

Other than the above, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter and financial year-to-date.

7. Dividends paid

There were no dividend paid during the current quarter and financial year-to-date.

8. Segmental information

The Group's segmental report for the financial year-to-date was as follows :

| | REVENUE | | | Segment Results RM'000 |
|--|-----------------|------------------------------|--------------------|---------------------------|
| | Total RM'000 | Inter - Segment RM'000 | External RM'000 | |
| Steel | 979,771 | (4,419) | 975,352 | 75,173 |
| Timber extraction and pulp and paper | 97,273 | - | 97,273 | 1,784 |
| Building materials | 35,192 | - | 35,192 | 17 |
| Property and construction | 5,204 | - | 5,204 | 335 |
| Tyre | 18,431 | - | 18,431 | (4,482) |
| Others | 23,076 | - | 23,076 | (2,418) |
| | 1,158,947 | (4,419) | 1,154,528 | 70,409 |
| Unallocated costs | | | | (873) |
| Profit from operations | | | | 69,536 |
| Finance costs | | | | (40,562) |
| Share in results of associated companies | | | | 125,086 |
| Income from other investments | | | | 7,876 |
| Profit before taxation | | | | 161,936 |

9. Carrying amount of revalued assets

The valuation of property, plant and equipment have been brought forward without amendment from the previous audited financial statements.

10. Subsequent events

Other than as disclosed in Note 20, there were no material events subsequent to the end of the current quarter.

11. Changes in composition of the Group

There were no material changes in the composition of the Group during the financial year-to-date.

12. Changes in contingent liabilities and contingent assets

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

13. Performance review

The Group posted a significantly better performance for the quarter under review. Higher demand for steel products together with better results generated by the Group's listed subsidiary company, Lion Forest Industries Berhad, had resulted in the Group recording an operating profit of RM69.5 million against a loss of RM10.9 million in the preceding year corresponding period. Share in results of our associated companies was also higher due to a one-off gain reported following the share placement exercise of its listed retail business in China.

14. Comment on material change in profit before taxation

| | Revenue | | Profit/(Loss) from operations | |
|--------------------------------------|---|--|---|--|
| | Current Quarter 30/9/2006 RM'000 | Immediate Preceding Quarter 30/6/2006 RM'000 | Current Quarter 30/9/2006 RM'000 | Immediate Preceding Quarter 30/6/2006 RM'000 |
| Steel | 975,352 | 806,704 | 75,173 | (14,678) |
| Timber extraction and pulp and paper | 97,273 | 70,530 | 1,784 | (22,509) |
| Tyre | 18,431 | 13,840 | (4,482) | (6,019) |
| Others | 63,472 | 72,782 | (2,066) | (14,887) |
| Unallocated costs | - | - | (873) | (900) |
| | <u>1,154,528</u> | <u>963,856</u> | <u>69,536</u> | <u>(58,993)</u> |

The turnaround in performance of the Group's results for the current quarter was mainly contributed by the steel division and the timber extraction and pulp and paper operations. The better performance recorded by the steel division was mainly due to improved operating environment, whilst for the timber extraction and pulp and paper operations, it was due to higher sales volume and better paper selling price.

15. Commentary on prospects

The performance of the steel division is expected to be lower in the next quarter following the softening of demand towards the end of September quarter. However, the timber extraction and pulp and paper operation is expected to maintain its profitable position, whilst the Group's listed associated company involved in the retail business is envisaged to record better operating performance in the next quarter.

16. Profit forecast or profit guarantee

The disclosure requirements are not applicable for the current quarter and financial year-to-date.

17. Taxation

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|-----------------------|---|---|---|--|
| | CURRENT YEAR QUARTER 30/9/2006 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 30/9/2005 RM'000 | CURRENT YEAR TO DATE 30/9/2006 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 30/9/2005 RM'000 |
| Taxation comprises: | | | | |
| Current year tax | | | | |
| - Arising in Malaysia | 2,012 | 1,939 | 2,012 | 1,939 |
| Deferred tax | 12,929 | (13,000) | 12,929 | (13,000) |
| | <u>14,941</u> | <u>(11,061)</u> | <u>14,941</u> | <u>(11,061)</u> |

Excluding the share of those of the associated companies, the effective tax rate of the Group for the current quarter is higher than the statutory tax rate mainly due to the losses of certain subsidiary companies which cannot be set off against taxable profits made by other subsidiary companies, and certain expenses which are not deductible for tax purposes.

18. Sale of unquoted investments and properties

There were no material sale of unquoted investments or properties for the current quarter and financial year-to-date.

19. Quoted securities

There were no purchases or disposals of quoted securities for the current quarter and financial year-to-date.

Details of investments in quoted securities (excluding investments in associated companies) as at the end of the reporting period were as follows :

| | RM'000 |
|-----------------|--------|
| At cost | 65,938 |
| At book value | 8,113 |
| At market value | 8,126 |

20. Corporate proposals

The status of corporate proposals of the Company's listed subsidiary, Lion Forest Industries Berhad ("LFIB"), is reported in the Interim Report of LFIB.

Other than the above, there were no corporate proposals pending completion at the date of this report.

21. Borrowings and debt securities

The Group's borrowings as at end of the reporting period were as follows :

| | Short Term RM'000 | Long Term RM'000 | Total RM'000 |
|----------------------------|----------------------|---------------------|-----------------|
| <u>Bank borrowings</u> | | | |
| Secured | 231,596 | 1,194,154 | 1,425,750 |
| Unsecured | 38,888 | 232 | 39,120 |
| <u>BaIDS</u> | | | |
| Secured | 60,000 | 400,000 | 460,000 |
| | 330,484 | 1,594,386 | 1,924,870 |
| <u>Bonds and USD Debts</u> | | | |
| Secured | 266,704 | 79,439 | 346,143 |
| | 597,188 | 1,673,825 | 2,271,013 |

The Group's borrowings were denominated in the following currencies :

| | Foreign Currency '000 | RM'000 |
|--------------------|-----------------------------|-----------|
| - Ringgit Malaysia | - | 1,532,639 |
| - US Dollar | 186,495 | 687,235 |
| - Chinese Renminbi | 109,599 | 51,139 |
| | | 2,271,013 |

22. Off balance sheet financial instruments

There were no off balance sheet financial instruments at the date of this report.

23. Changes in material litigation

There were no changes in material litigation since the last annual balance sheet date.

24. Dividend proposed

The Board does not recommend any interim dividend for the financial quarter ended 30 September 2006.

25. Earnings/(Loss) per share ("EPS")

Basic

Basic EPS is calculated by dividing the Group's net profit (2005: net loss) for the period attributable to equity holders of the parent by the weighted average number of ordinary shares of the Company in issue during the financial period of 697.1 million (2005 : 697.1 million).

Diluted

Diluted EPS is not disclosed as the exercise price for the Company's ESOS is above the average market value of the Company's shares and therefore no dilutive effect for the current quarter and financial year-to-date.

For the preceding year, the diluted EPS was not disclosed as the exercise period for the Company's ESOS expired on 14 May 2005.

PROPOSED DIVESTMENT PROGRAMME ("PDP")

(i) Status of the Proposed Divestments

| Assets to be Divested | PDP (Per GWS) | Concluded Sales | | | Sale Proceeds Received | | | | |
|---|---------------------|---------------------------|---------------------------|------------------|---------------------------|-----------------------------------|-------------|--------------------------|------------------------|
| | | Up to December 2005 | Current Year (Jan-Dec 06) | | Up to December 2005 | Current Year (Jan - Dec 06) | | Projected to Dec 2006 | Projected Full Year |
| | | | Current Quarter | Year- To-Date | | Actual Received in Current Qtr | YTD | | |
| | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million | RM'million |
| By December 2002 | | | | | | | | | |
| Unlisted shares in pharmaceutical company | 2.0 | 2.0 | - | - | 2.0 | - | - | - | - |
| Unlisted shares in automotive company | 29.4 | 29.4 | - | - | 29.4 | - | - | - | - |
| Listed shares in financial services company | 2.5 | 2.5 | - | - | 2.5 | - | - | - | - |
| | 33.9 | | | | | | | | |
| By December 2003 | | | | | | | | | |
| Shares in unlisted companies, industrial land, office block, factories and shoplots in Parade and shopping centre | 174.3 | 174.3 | - | - | 174.3 | - | - | - | - |
| By December 2004 | | | | | | | | | |
| Shares in unlisted companies and shoplots in Parade and shopping centre ** | 45.4 | 5.8 | - | - | 5.8 | - | 1.8 | 7.4 | 9.2 |
| By December 2005 | | | | | | | | | |
| Shares in unlisted company, factories and apartment ** | 9.7 | - | - | - | - | - | - | - | - |
| By December 2006 | | | | | | | | | |
| Shares in unlisted companies, commercial land, residential land and shoplots in Parade and shopping centre ** | 278.0 | - | - | 9.4 | - | - | 9.4 | 29.9 | 39.3 |
| Total | 541.3 | 214.0 | - | 9.4 | 214.0 | - | 11.2 | 37.3 | 48.5 |

** The Group is actively looking for potential buyers for its assets/companies under the PDP. Where necessary, the Group will divest other assets which are not under the PDP to redeem/repay the Bonds and USD Debts.

(ii) Transactions completed during the quarter

No transactions were completed during the quarter.

(iii) Utilisation of the divestment proceeds received

The divestment proceeds received were/will be used to redeem/repay the Bonds and USD Debts.